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SUBJECT: NARCOTICS MAJOR LIST 2010 PARAGUAY

REF: SECSTATE 28306

1) (U) The USG asked the Government of Paraguay (GOP) to devote additional resources to counternarcotics operations and employ legal tools to facilitate investigations, conduct asset seizure and forfeiture, and prosecute major offenders.

-- (U) Paraguay is a major transit country for Andean cocaine destined for Brazil, other Southern Cone markets and Europe. According to SENAD and DEA Country office, 30-40 metric tons of cocaine annually transit Paraguay's porous borders en route to Brazil and other Southern Cone markets as well as to Europe, Africa and the Middle East. The new Fernando Lugo administration, in office only 10 months, has demonstrated the political will to be a serious partner in fighting narcotics trafficking. President Lugo is personally engaged on counternarcotics, and requested additional U.S. assistance in that area shortly after assuming office. When Bolivia shut down DEA's presence late in 2008, Lugo personally agreed to an increased DEA presence in Paraguay. Minister Cesar Aquino, the GOP official in charge of Paraguay's Counternarcotics Secretariat (SENAD), has taken concrete steps to reorganize SENAD, and made key personnel shifts in May 2009 in order to further improve SENAD's output. The Lugo government will submit its first budget in August 2009; many ministries, including SENAD, are already working on their submissions. Minister Aquino told Pol/Econ Chief June 4 he is asking for large across-the-board increases in SENAD's budget for the upcoming year. (NOTE: SENAD's total budget is USD 2.8 million, of which only USD 95,440 is allocated to counter-narcotics operations, while the rest (USD 2.7 million) covers salaries, fuel and administrative expenses. END NOTE).

-- (U) With INL and DEA support, SENAD is working to arrest and prosecute major offenders. In 2008, SENAD detained 419 persons (of those, 147 were arrested for cocaine, eight for crack cocaine, and eight for ephedrine trafficking). In the first quarter of 2009, SENAD made 29 arrests (second quarter numbers are not yet available). SENAD's higher profile arrests included the December 5, 2008 arrest of Brazilians Sergio De Souza AKA Da Nemen Costeira, Danilo De Souza, Tiago Cordeiro AKA Calcinha, and Rodrigo De Rosa Oliveira AKA Rata, all suspected of being members of "COMANDO VERMELHO," one of the most powerful drug trafficking operations in Brazil. SENAD released the suspects into Brazilian custody at the Friendship Bridge between Ciudad del Este and Foz de Iguazu, Brazil. SENAD also arrested three members of the Comando da Capital (PCC) drug trafficking organization on June 3 in Pedro Juan Caballero. The three detainees were Divino Teodoro das Chagas (real name Jiario Barbosa Pache); Adriano Viera, and Danielle Nakano Arede, all Brazilian citizens.

-- (SBU) In 2008, SENAD seized a record-high 172 metric tons of marijuana and 277 kg of cocaine. SENAD also seized a record 127.36 kg of ephedrine. In the first quarter of 2009, SENAD seized 28 kg

of cocaine and 9,453 kg of marijuana. While second quarter numbers are not yet available, SENAD's seizures have increased significantly over the first quarter. In addition, SENAD's first-ever cellular telephone intercept program (supported by DEA) began operating in June, under close coordination with prosecutors and judicial authorities. This new program is expected to render big results within the year.

2) (U) The USG asked the GOP to take steps as quickly as possible to comply with its international obligation to adopt comprehensive terrorist financing legislation.

-- (U) The Government of Paraguay, via its Secretariat for the Prevention of Money Laundering (SEPRELAD), has resumed serious work on a bill which would criminalize terrorist financing. Using its experience in the development of a similar law, Brazil is providing SEPRELAD with technical assistance. SEPRELAD Director Oscar Boidanich expects a draft to be presented to Congress in the near future. In addition, SEPRELAD drafted an administrative bill, which passed the lower house of Congress April 7, and is pending Senate approval. The bill, if passed into law, would 1) include terrorist financing as a suspicious activity requiring a Suspicious Activity Report (SAR); 2) expand the number of required SARs reporting institutions to include all actors who move money and are paid in large sums of cash; and 3) render SEPRELAD a separate government ministry reporting directly to the president, thus facilitating information exchanges.

3) (U) The USG asked the GOP to expeditiously pass and implement new criminal procedure code that is pending in Congress.

-- (U) The Government of Paraguay continues to work on passage of a new criminal procedure code. The code remains pending in the legislation commission of the lower house of Congress, where it is being studied. Several high-profile political actors have expressed keen interest in passing this important reform in coming months. Meanwhile, after a year of extensive training of judges, prosecutors and others, the fundamentally overhauled penal code will go into full legal effect on July 16, 2009.

4) (U) The USG asked the GOP to devote adequate financial and human resources to its anti-money laundering mission and develop strategies to effectively regulate the amount of currency that is imported to and exported from Paraguay.

-- (U) The Government of Paraguay took a number of positive steps in 2008 to combat money laundering, particularly with the passage of the new penal code, which will take effect July 16, 2009. For the first time in Paraguay money laundering will be treated as an autonomous crime punishable by a prison term of up to ten years. Additionally, SEPRELAD Director Oscar Boidanich has worked to improve the quality of information reported in SARs. In only three months, SEPRELAD processed 27 SARs and sent 22 cases to the Attorney General's office, a 20 percent increase over the same period in previous years. In 2008, the Attorney General's office processed 40 money laundering cases, 15 of which resulted in convictions.

5) (U) With respect to the area identified in the 1998 UN Drug Convention, the Government of Paraguay has performed as follows:

#### Consumption / Demand Reduction

-- (U) SENAD has the principal coordinating role under the "National Program against Drug Abuse" and works with the Ministries of Education and Health and several NGOs on demand reduction. Due to budget constraints, SENAD focuses on Asuncion and the Central Department. In 2008, the Prevention Unit held 1,114 drug prevention workshops in schools reaching 31,586 people including students, parents and teachers. In the first quarter of 2009, SENAD held 322 workshops, which reached 7,162 students, teachers and parents.

#### Illicit crop eradication

-- (U) In 2008, SENAD destroyed 1,725 hectares of cannabis. In the

first quarter of 2009, the GOP eradicated 610 hectares of marijuana.

SENAD has focused eradication efforts in the departments of Amambay, San Pedro, Canindeyu and Concepcion, where marijuana cultivation is concentrated. SENAD has made significant advances by increasing the amount of marijuana cultivations destroyed and by reaching more remote areas than in previous years.

#### Asset seizure

-- (U) SENAD has taken serious measures to control drugs and their negative effects on the general population by going after the assets of drug trafficking organizations. In 2008, SENAD seized 65 vehicles, 31 motorcycles, 3 airplanes and one canoe. Minister Aquino strongly supports the criminal procedure code reform, which includes an improved asset forfeiture law.

#### Control of precursors

-- (U) Paraguay has a chemical control law. However, enforcement is weak. SENAD and the Health Department have limited resources to enforce the law throughout the country, but strictly regulate individuals or companies obtaining precursor chemical permits.

-- (U) The GOP through SENAD and the Department of Health also regulates the importation of pseudoephedrine. Violators can be charged with illegal importation of controlled substances and other related crimes, such as tax evasion, and can face sentences of five or up to ten years in jail.

-- (U) In an effort to fight an emerging precursor chemical trafficking trend, SENAD made several key seizures/arrests in late 2008 and 2009. On October 2, 2008 SENAD seized five kilos of ephedrine contained in packages of tea hidden in a suitcase belonging to Mexican citizen Leobardo Gaxiola Lopez at Asuncion's airport. The transport route was Asuncion-Sao Paulo-Mexico. Authorities detained two additional Mexican suspects at a hotel in Asuncion.

-- (U) A deposit of illegal chemical precursors used for the manufacture of cocaine hydrochloride was found on May 12, 2009 by SENAD agents during a search and seize operation inside a house in Capiata city. The seized goods were a total of 63 barrels filled with sulfuric acid, 13 others with acetone and three bags containing 50 kilos of white powder. The girlfriend of Miguel Angel Alvarenga, a fugitive drug trafficker since 2007 for a case involving 151 kg of cocaine, was arrested in the operation.

-- (U) SENAD is closely working with U.S., Mexican, and Southern Cone governments to increase controls to prevent pseudoephedrine trafficking from taking root in Paraguay or elsewhere in the region.

#### Public Corruption

-- (U) There is no evidence that the GOP or any senior official facilitates the distribution or production of narcotics or other controlled substances. Nevertheless, corruption and inefficiency within the Paraguayan National Police (PNP) and the judicial system negatively affects SENAD operations. The Lugo administration has made combating official corruption its top priority, and is supporting the efforts of judges and prosecutors to pursue high-profile corruption cases.

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